

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF NEBRASKA**

In re:	:	Chapter 11
	:	
SPECIALTY RETAIL SHOPS HOLDING	:	Case No. 19-80064-TLS
CORP., <i>et al.</i> , ¹	:	
	:	(Jointly Administered)
Debtors.	:	
	:	

**DECLARATION OF HEATHER MASTIN IN SUPPORT OF APPLICATION AND
REQUEST FOR PAYMENT OF ADMINISTRATIVE EXPENSE CLAIM OF
SPECTRUM AMERICA SUPPLY CHAIN SOLUTIONS INC.**

I, Heather Mastin, make this declaration pursuant to 28 U.S.C. § 1746:

1. I am the Director of Human Resources for Spectrum America Supply Chain Solutions Inc. ("Spectrum"). I am over the age of 18 and authorized to submit this Declaration on behalf of Spectrum. If called upon to testify, I could and would testify competently to the facts set forth in this Declaration.

2. In connection with my duties, I am familiar with Spectrum's relationship with the above-captioned debtors (collectively, the "Debtors"), including recent discussions between the Debtors and Spectrum concerning the closure of the Debtors' three distribution centers. The facts set forth herein are based on my personal knowledge, communications with other Spectrum management personnel, and/or records maintained by Spectrum in the ordinary course of its

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: Specialty Retail Shops Holding Corp. (0029); Pamida Stores Operating Co., LLC (6157); Pamida Transportation LLC (4219); Penn-Daniels, LLC (0040); Place's Associates' Expansion, LLC (7526); Retained R/E SPE, LLC (6679); Shopko Finance, LLC (1152); ShopKo Gift Card Co., LLC (2161); ShopKo Holding Company, LLC (0171); ShopKo Institutional Care Services Co., LLC (7112); ShopKo Optical Manufacturing, LLC (6346); ShopKo Properties, LLC (0865); ShopKo Stores Operating Co., LLC (6109); SVS Trucking, LLC (0592). The location of the Debtors' service address is: 700 Pilgrim Way, Green Bay, Wisconsin, 54304.


4/1/19

business. All copies of emails (and related attachments) attached as exhibits hereto are true and correct copies thereof.

3. Spectrum provides outsourced labor and management services to the Debtors with respect to the distribution centers in De Pere, Wisconsin, Omaha, Nebraska, and Boise, Idaho, pursuant to that certain *Logistics Services Agreement* dated July 13, 2015 attached hereto without attachments as **Exhibit A** (the “Services Agreement”).² The Services Agreement is what is generally referred to as an “open-book” or “cost-plus” outsourcing agreement whereby a service provider bills the client based on the actual costs incurred for each type of service plus an agreed upon margin or fee to the service provider. Spectrum is a Delaware corporation with a specific purpose to provide the services under the Services Agreement to Debtor Shopko Stores Operating Co. LLC (“Shopko”). Other than Shopko, Spectrum does not have any other customers.

4. On or about February 8, 2019, I participated in a face-to-face meeting with representatives of the Debtors, including the Debtors’ Chief Operating Officer and Director of Human Resources, at which the Debtors informed Spectrum that the Debtors would be closing a significant number of stores such that the Omaha and Boise distribution centers would no longer be necessary. In addition to discussing the process for communicating the development to distribution center teammates, the Debtors’ representatives informed Spectrum that the Debtors would be paying to the distribution center teammates: (i) any payment in lieu of notice as required under the WARN Act or similar law; (ii) retention incentives; and (iii) severance. A follow-up email later that day from the Debtors’ Director of Human Resources, Cindy Moen, memorializing this meeting (along with three (3) attachments) is attached hereto as **Group Exhibit B**.

² A First Amendment to the Services Agreement was executed on or about January 5, 2018, but I have been informed that the particular provisions amended are not relevant to the current dispute between Spectrum and the Debtors.



5. On February 11, 2019, Ms. Moen provided a bullet-point script of the announcement that the Debtors made to their employee as “some ideas for” the Spectrum teammates via email attached hereto as **Exhibit C**. That script provided that “Teammates who stay through their end date will receive a retention bonus based on their position[,]” and “Teammates who stay through the close date and who are in good standing...are eligible for severance pay.”

6. On February 12, 2019, Ms. Moen provided minor comments to Spectrum’s proposed script for the announcement of the closing of the Omaha and Boise distribution centers to the Spectrum teammates via email (along with one (1) attachment) attached hereto as **Group Exhibit D**. That script explicitly stated that the distribution center teammates losing their jobs would be eligible for severance and retention bonuses.

7. Later on February 12, 2019, Ms. Moen sent an email to Spectrum (attached hereto along with four (4) attachments as **Group Exhibit E**) attaching form severance agreements to use for personnel in Idaho and Nebraska which teammates must sign in order to receive severance payments.

8. Later on February 12, 2019, the Debtors’ Chief Human Resources Officer, Denise Domian, sent an email to Spectrum (attached hereto as **Exhibit F**) requesting data for the affected distribution center teammates so that the Debtors could “budget the cost of severance and retention.”

9. On February 13, 2019, Spectrum held a mandatory all company meeting at each distribution center and sent a critical message text to all teammates working at the Boise and Omaha distribution centers about the closures and, as such, the employees were put on WARN notification that same day. After the Debtors had approved the severance and retention incentives,



WARN Act notices were sent to the Boise and Omaha teammates on February 27 and March 5 respectively. Based on the representations of the Debtors, those notices informed these teammates that they “are eligible for severance and a retention incentive.” A template of the notice is attached hereto as **Exhibit G**.

10. On March 1, 2019, in response to a request from the Debtors, I provided a spreadsheet³ to the Debtors reflecting the total amount of severance and retention incentives due to the Omaha and Boise distribution center teammates, totaling approximately \$149,245 for retention incentives and \$575,251.16 for severance. Ms. Domain replied via email attached hereto as **Exhibit H** that the Debtors agreed with certain revisions that had been made with respect to the retention incentives for certain critical teammates.

11. On or about March 18, 2019, Spectrum learned that the Debtors were unable to find a buyer for their business and, therefore, the Debtors would be liquidating their assets and winding-down their businesses.

12. On March 19, 2019, I received an email from Denise Domain (attached hereto as **Exhibit I**) inquiring as to: (i) when WARN notices would be provided to the DePere, Wisconsin distribution center teammates; (ii) anticipated severance and retention payments for the DePere teammates; and (iii) sample copies of the severance letters/releases provided to the Boise and Omaha distribution center teammates. Ms. Domain’s email, however, stated that the Debtors would need to get approval for the continuation of severance and retention for the DePere teammates.

13. On March 20, 2019, Shopko’s Chief Operating Officer sent an email to Spectrum concerning WARN notices with respect to the DePere distribution center. Additionally, that email

³ In light of the confidential nature of the personal data therein, the spreadsheet is not being attached to this Declaration.

noted that “Shopko continues to assess severance and retention for the DC’s and will advise as soon as possible.” Murray Brabender, Vice President and Chief Operating Officer of Spectrum’s parent company, responded on March 21, 2019, via reply email, stating “we understood that Shopko had absolutely no issue with standing by its commitment to pay for all severance and retention bonuses for the employees of the Boise and Idaho [*sic*] facilities as communicated to those teams after you gave agreement to myself and the Spectrum team when we met in February to discuss the announced closure of Boise and Omaha.” That email chain is attached hereto as **Exhibit J** (with redaction of forwarding message to counsel).

14. On March 21, 2019, Spectrum issued WARN Act notices for the DePere distribution center teammates. Those notices did not mention the availability of any severance or retention incentive because Shopko had not approved any severance or retention incentive for the DePere distribution center as it had for Boise and Omaha.

15. On March 26, 2019, Vice Present and Associate General Counsel of Shopko, Susan Buckna, sent an email to Spectrum (attached hereto as **Exhibit K**, with redaction of forwarding message to counsel) stating:

As previously communicated Shopko will be paying wages thru the WARN period for the Boise, Omaha and DePere DCs teammates. Shopko has also obtained bank approval to pay previously communicated retention amounts to the Boise and Omaha DC teammates. However, Shopko is unable to commit to payment of any severance at this point in time. We understand that you will be updating the communication to be sent to the DC teammates to reflect this information.

16. As a result of the Debtors’ repudiation of its commitment to pay severance to the teammates at Boise and Omaha, on March 27, 2019, Spectrum issued a notice to these teammates (attached hereto as **Exhibit L**), informing them that the Debtors had reneged on their promise of severance and that Spectrum would be taking legal action in the bankruptcy cases.


17. Operations at the Boise distribution center have ceased with respect to the majority of teammates on or about March 28, 2019, with a handful of teammates remaining through April 5, 2019 and possibly a little longer as instructed by Shopko. Operations at the Omaha distribution center will cease with respect to the majority of teammates on or about April 15, 2019, with a handful of teammates remaining through April 19, 2019 and possibly a little longer as instructed by Shopko.

18. The Debtors' position has created unrest and angst amongst the Omaha and Boise distribution center teammates.

19. Based on certain departures, the amount of severance owed to Boise and Omaha teammates based on the Debtors' promise is \$490,419.16.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing statements are true and correct.

Dated: DePere, Wisconsin
April 1, 2019



Heather Mastin